

# **PONDER OILS LTD.**

**ANNUAL REPORT  
TO SHAREHOLDERS**

**DECEMBER 31, 1969**



## **Annual Report to the Shareholders**

# **PONDER OILS LTD.**

**Incorporated under the Laws of the Province of Alberta  
(Listed on Toronto and Calgary Stock Exchanges)**

**HEAD OFFICE — 806 LANCASTER BUILDING  
CALGARY 2, ALBERTA**

### **DIRECTORS AND OFFICERS**

W. L. Falconer, Calgary, Alberta—President and Managing Director  
Geo. R. Gibson, Midland, Texas — Vice-President and Director  
D. A. McFee, Winnipeg, Manitoba — Treasurer and Director  
F. J. Heagle, Calgary, Alberta — Director  
F. Leroy Hill, Rockford, Illinois — Director  
M. P. Pick, Toronto, Ontario — Director  
H. F. Gain, Calgary, Alberta — Secretary

### **REGISTRAR**

**MONTREAL TRUST COMPANY  
Calgary, Alberta — Toronto, Ontario**

### **TRANSFER AGENT**

**MONTREAL TRUST COMPANY  
Calgary, Alberta — Toronto, Ontario**

### **AUDITORS**

**PRICE WATERHOUSE & CO.  
Chartered Accountants  
Calgary, Alberta**

# DIRECTORS' REPORT

To The Shareholders:

Your Directors present herewith a Consolidated Balance Sheet, Statement of Income and Retained Earnings, Statement of Source and Application of Funds for Ponder Oils Ltd. and its wholly-owned subsidiaries—Universal Printers Ltd. and Discovery Inc.,—for the year ended December 31, 1969. The net income from operations after providing for taxes amounted to \$33,402 or 1.2c per share, as compared to 4c per share in 1968. Heavy development costs and the abandonment of the Alice Arm, B.C., project were largely responsible for the reduction in earnings.

A dividend of one and one-half cents per share on the Common stock of the Company was paid to shareholders June 16th. The Board of Directors subsequently voted to suspend the dividend indefinitely.

During the year Mr. M. P. Pick replaced Mr. D. L. Sinclair of Toronto on the Board of Directors. Mr. F. J. Heagle, after serving on the Board for over five years, resigned as a Director in January, 1970.

It is a pleasure for the Directors to record their sincere thanks and appreciation for the loyalty and co-operation of our employees during 1969.

You are urged to attend the shareholders' meeting on March 23, 1970, but if unable to do so, please sign and return the enclosed proxy.

For the Board of Directors,  
W. L. Falconer,  
President.

Calgary, Alberta,  
March 11, 1970.

# PONDER OILS LTD.

## ALBERTA

In Southern Alberta the Company has a  $\frac{1}{8}$  working interest in approximately 6,000 non-producing acres. Further, the Company owns 11 $\frac{1}{4}$ % of the oil production in the Coutts-Moulton "A" Unit presently producing about \$1,200 per month. The Company holds a 5% interest in 1,170 non-producing acres in Northern Alberta—the residual of the Fairacres farmout.

## BRITISH COLUMBIA

The Company retained four mineral claims in the Skeena Mining Division in the Illiance River Valley. However, the option to purchase 36 adjacent mineral claims has been relinquished. The Company felt that the lack of transportation available in the foreseeable future has made it impractical to maintain these claims.

## SASKATCHEWAN

An eighth interest has been maintained by the Company in one producing well on one section of land in the Midale Field of Southern Saskatchewan.

The 5% interest in the exploration permits covering 300 mineral claims in the Beaverlodge area of Northern Saskatchewan, has been dropped.

## ONTARIO

The Company has increased its interest in the C. C. Huston (1969) Limited Partnership to 20.5%. The partnership now holds 166 unpatented mining claims in Ontario, comprising 103 in the Red Lake Mining Division and 63 in the Patricia Mining Division.

# DISCOVERY INC.

## NEW MEXICO

The Company has a royalty interest in 4,080 acres in Eddy County.

## TEXAS

Development of the Playa Field, Martin County, Texas, has continued. Two drilling rigs have been working continuously through the first eleven months of 1969 and have been able to complete a

well every three weeks. The Company's program has seen wells completed as follows:

1960 - 67	—	23
1968	—	23
1969	—	22
1970	—	2

There are still about 8,000 acres undeveloped.

# UNIVERSAL PRINTERS LTD.

## MANITOBA

Profits of Universal Printers Ltd. increased slightly in 1969.

The Company is awaiting the arrival of its new web offset commercial press, ordered in February, 1970. The addition of this press will enable the Company to offer a product greatly superior to that

now being produced, and, therefore, gain access to markets previously denied it because of the limitations of its existing equipment.

The Paperback Book Division continues to be an integral part of the operation, and shows steady progress.

# PONDER

AND WHOLLY-O

## Consolidated Balance S

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### ASSETS

	1969	1968
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 13,943	\$ 8,585
Accounts receivable—		
Trade .....	435,817	507,085
Other .....	21,198	18,766
Marketable securities (Market value—\$7,000) .....	8,750	.....
Overpayment of income taxes .....	10,654	.....
Inventories—		
Pipe tubing and other supplies, at cost .....	12,836	25,868
Finished goods, at selling price .....	.....	125
Work in process, at estimated cost .....	31,691	21,837
Paper, ink and supplies, at the lower of cost or net realizable value .....	132,388	139,127
Prepaid expenses .....	13,397	10,570
	<u>680,674</u>	<u>731,963</u>
<b>SPECIAL REFUNDABLE TAX</b> .....	.....	2,459
<b>DEPOSITS</b> .....	5,300	5,550
<b>PROPERTY, PLANT AND EQUIPMENT</b> , at cost:		
Land .....	36,999	36,999
Leases, well costs and equipment .....	885,875	527,621
Buildings .....	216,755	216,755
Machinery and equipment .....	1,234,228	1,237,772
Type and metal .....	54,016	54,016
Office furniture and fixtures .....	45,831	42,962
	<u>2,473,704</u>	2,116,125
Less—Accumulated depreciation and depletion .....	<u>1,336,673</u>	<u>1,162,878</u>
	<u>1,137,031</u>	<u>953,247</u>
<b>OTHER ASSETS:</b>		
Rent paid in advance (Note 2) .....	5,568	12,996
Unamortized leasehold improvements .....	4,037	6,340
Organization costs .....	5,237	5,237
Mining claims, at nominal value (Note 3) .....	1	94,839
	<u>14,843</u>	<u>119,412</u>
<b>EXCESS OF PURCHASE PRICE OVER BOOK VALUE OF SUBSIDIARY</b> .....	<u>849,981</u>	<u>849,981</u>
	<u><u>\$2,687,829</u></u>	<u><u>\$2,662,612</u></u>

### AUDITORS' REPORT

To the Shareholders of Ponder Oils Ltd.

We have examined the consolidated balance sheet of Ponder Oils Ltd. and its subsidiaries as at December 31, 1969, and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

**DILS LTD.**

**ED SUBSIDIARIES**

**— December 31, 1969**

gures for 1968)

**LIABILITIES**

	<b>1969</b>	<b>1968</b>
<b>CURRENT LIABILITIES:</b>		
Cheques issued in excess of bank balance .....	\$ 12,540	\$ 56,368
Bank loans, secured (Note 4) .....	282,181	268,020
Accounts payable—		
Trade .....	158,324	147,974
Other .....	42,846	25,953
Income taxes payable .....	.....	68,074
Sales taxes payable .....	4,742	12,860
Note payable .....	<u>100,000</u>	.....
	600,633	579,249
<b>MORTGAGE PAYABLE:</b>		
Repayable in monthly instalments of \$152 including taxes, ground rent and interest at 6 3/4% .....	14,193	14,402
<b>DEFERRED INCOME TAXES (Note 5)</b> .....	89,500	111,400
<b>SHAREHOLDERS' OWNERSHIP:</b>		
Share capital—		
Authorized—		
15,000 6% cumulative redeemable preference shares of a par value of \$100 each		
4,000,000 common shares of a par value of 50c each		
Issued (Note 6)—		
8,334 preference shares .....	833,400	833,400
Less—shares held by subsidiary company .....	(833,400)	(833,400)
2,629,700 common shares (1968—2,605,700) .....	1,314,850	1,302,850
Contributed surplus .....	1,935	.....
Retained earnings, per statement attached .....	<u>666,718</u>	<u>654,711</u>
	1,983,503	1,957,561

**APPROVED ON BEHALF OF THE BOARD:**

W. L. FALCONER, Director

D. A. McFEE, Director

\$2,687,829

\$2,662,612

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta,  
March 6, 1970

PRICE WATERHOUSE & CO.  
Chartered Accountants.

# **PONDER OILS LTD.**

## **AND WHOLLY-OWNED SUBSIDIARIES**

### **Notes to Financial Statements**

#### **FOR THE YEAR ENDED DECEMBER 31, 1969**

##### **1. ACCOUNTING PRINCIPLES:**

The consolidated financial statements include the accounts of Ponder Oils Ltd. and its wholly-owned subsidiaries Universal Printers Ltd. and Discovery, Inc. Ponder Oils Ltd. and Discovery, Inc., companies engaged in oil exploration, capitalize the costs of productive oil and gas properties and write off dry hole costs and lease rental payments as incurred. The costs of producing properties are written off by depletion charges on the unit of production method. The costs of buildings, plant and equipment, including equipment on producing wells, are depreciated over their useful lives.

##### **2. RENT PAID IN ADVANCE:**

A subsidiary company leases premises under a long-term lease which expires in 1986 and requires rental payments of \$33,900 in 1970. As a result of capital expenditures made by the company on behalf of the lessor, a portion of the rent has been prepaid for the years 1970 to 1971. Under the terms of the lease, the Company has the option to purchase, on October 1, 1971, the land and buildings for \$240,000.

##### **3. MINING EXPLORATION:**

In December, 1969, the Company decided to discontinue prospecting and exploration work in the Skeena mining division in British Columbia and to forfeit its options on thirty-six mineral claims in that area. As a result \$98,400, being all the costs to date, has been charged to income in 1969. In addition \$50,000 expended on exploration for minerals, pursuant to a partnership agreement entered into during the year, has been charged to income.

##### **4. BANK LOANS:**

The bank loans of the companies are secured by general assignments of book debts and oil reserves. A subsidiary has authorized and issued to the bank a 6% First Mortgage Bond as security for its loan. In addition the Company has pledged with the bank the shares of the subsidiary and has hypothecated a \$450,000 floating charge debenture.

##### **5. INCOME TAXES:**

The Company and its subsidiary Universal Printers Ltd. follow income tax allocation accounting whereby the income tax provision is based on reported income and the difference between the provision and the income taxes currently payable is deferred to future periods. A subsidiary, Discovery, Inc., engaged in the exploration and production of oil and gas in the United States does not follow income tax allocation accounting with respect to expenditures on account of oil and gas exploration, in accordance with the accounting practice acceptable in that country. The estimated amount of deferred taxes payable by the company at December 31, 1969, is not considered material to the consolidated account and has not been recorded in the accounts.

At December 31, 1969, Ponder Oils Ltd. has unclaimed drilling and exploration costs of \$162,500, for income tax purposes, which amounts may be carried forward and deducted from income from oil and gas properties in future years. (1969—oil income amounted to \$7,500).

##### **6. SHARE OPTIONS:**

Options are outstanding whereby certain officers and employees of the Company or its subsidiaries may purchase shares as follows:

160,000 shares at a price of 50c per share on or before March 20, 1971.

15,000 shares at a price of 71.5c per share on or before October 2, 1971.

A further 66,000 shares are reserved for issuance under stock option plans which may be granted to employees.

During the year 24,000 shares were issued under the share option plans for a cash consideration of \$13,935 of which \$1,935 was credited to contributed surplus.

##### **7. DIRECTORS' REMUNERATION:**

Remuneration paid by the Company and its subsidiaries to the Company's directors, including directors holding salaried employment as officers, totalled \$48,250 in 1969. Remuneration paid to other senior officers totalled \$49,000.

##### **8. COMMITMENT:**

The Company entered into a partnership agreement in 1969 to explore for minerals and is committed to contribute up to \$50,000 in each of the years 1970 and 1971.

##### **9. SUBSEQUENT EVENT:**

Subsequent to the year end, one of the subsidiaries entered into a contract for the purchase of equipment at an approximate cost of \$370,000.

**PONDER OILS LTD.**  
AND WHOLLY-OWNED SUBSIDIARIES

**Consolidated Statement of Income and Retained Earnings**

**FOR THE YEAR ENDED DECEMBER 31, 1969**  
(with comparative figures for 1968)

	<b>1969</b>	<b>1968</b>
Gross sales .....	<u>\$3,109,263</u>	<u>\$2,963,926</u>
Costs and expenses:		
Cost of sales .....	2,217,688	2,148,921
Selling, general and administrative expenses .....	316,060	285,665
Interest (including interest on long term debt of \$933; 1968—\$2,040) .....	34,020	11,913
Dry holes and abandoned leases .....	14,120	111,379
Mining exploration .....	151,614	.....
Depreciation .....	126,385	113,756
Depletion .....	<u>55,526</u>	<u>30,478</u>
	<u>2,915,413</u>	<u>2,702,112</u>
Profit from operations .....	193,850	261,814
Other income .....	<u>10,907</u>	<u>6,521</u>
Net income before extraordinary item .....	204,757	268,335
Extraordinary item:		
Net proceeds from insurance claim, less income tax thereon .....	.....	<u>9,404</u>
Net income before provision for income taxes .....	204,757	277,739
Provision for income taxes (Note 5) .....	<u>171,355</u>	<u>171,552</u>
Net income for year .....	33,402	106,187
Retained earnings, beginning of year .....	654,711	596,943
Recovery of prior years' income taxes .....	18,051	.....
Adjustment of proceeds on expropriation of property .....	.....	<u>29,752</u>
	706,164	732,882
Deduct—Dividends paid .....	<u>39,446</u>	<u>78,171</u>
Retained earnings, end of year .....	<u>\$ 666,718</u>	<u>\$ 654,711</u>

Certain 1968 figures have been reclassified  
to conform with 1969 presentation.

**POUNDER OILS LTD.**  
AND WHOLLY-OWNED SUBSIDIARIES

**Consolidated Statement of Source and Application of Funds**

**FOR THE YEAR ENDED DECEMBER 31, 1969**  
(with comparative figures for 1968)

	<b>1969</b>	<b>1968</b>
<b>Source of funds:</b>		
Funds provided by operations:		
Net income for year .....	\$ 33,402	\$106,187
Add—Charges not requiring funds:		
Depreciation, depletion and amortization .....	181,911	
Dry hole and abandoned leases .....	7,073	144,234
Mining exploration .....	94,838	
Reduction in rent paid in advance .....	<u>7,428</u>	<u>7,428</u>
	324,652	257,849
Recovery of deposit .....	250	.....
Recovery of prior years' income taxes .....	18,051	.....
Issuance of shares .....	13,935	.....
Proceeds on land expropriation .....	.....	29,752
Decrease in special refundable tax .....	<u>2,459</u>	<u>2,488</u>
	359,347	290,089
<b>Application of funds:</b>		
Dividends paid .....	39,446	78,171
Purchases of property, plant and equipment .....	370,465	345,300
Mining exploration in progress .....	.....	35,428
Decrease in long term debt .....	209	147
Reduction in deferred income taxes .....	21,900	21,800
Deposits .....	<u>.....</u>	<u>5,550</u>
	<u>432,020</u>	<u>486,396</u>
Decrease in working capital .....	72,673	196,307
Working capital, beginning of year .....	<u>152,714</u>	<u>349,021</u>
Working capital, end of year .....	<u>\$ 80,041</u>	<u>\$152,714</u>



